LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00262 3081

BC HEALTH CARE RISK MANAGEMENT SOCIETY

ANNUAL REPORT FISCAL 2000/2001

Submitted by: **Janice Markin, A/Executive Director**
BC Health Care Risk Management Society
#318 - 1175 Cook Street
Victoria, BC V8V 4A1

As Approved by the Board of the BC Health Care Risk Management Society June 22, 2001

CORPORATE PROFILE

Overview

The BC Health Care Risk Management Society (BCHCRMS or the Society) was founded in 1986, to provide an alternative to a volatile liability insurance market. The Society was formed as a non-profit organization, incorporated under the Societies Act. It is directed as a co-operative venture by 15 Directors who represent the BC health care industry and the provincial government. The Society is operationally funded through grants from the Ministry of Health (now the Ministry of Health Services).

Role and Responsibility

The Society has a unique mandate: to provide risk management services for various health related bodies including Regional Health Boards, Community Health Councils, Community Health Service Societies and other (approved) health care agencies and providers. Such risk management services include, without restriction:

a) the administration of the Health Care Protection Program, and other risk, insurance or loss funding programs which may arise, and

b) the provision of direct or indirect risk management advisory and inspection services, including consultation, education, loss control and communications support for its member entities.

Risk Management Advisory Services

Society staff assist member entities in the identification, analysis, evaluation and management of risks through the provision of centralized advisory consultation, risk management education sessions, and various publications.

Health Care Protection Program (HCPP)

The Society participates in the administration, interpretation and application of the Health Care Protection Program (HCPP). The coverage agreements, which provide the basis for HCPP, include the Health Care Comprehensive Liability Agreement, the Health Care Crime Agreement and the Health Care Property Agreement. In addition to providing general risk management advice and loss control services, the Society provides members with direct advisory services relating to questions or situations which arise related to coverage / application of HCPP.

Mission Statement

The Society's Mission articulates the fundamental purpose of the organization:

"The Society is a publicly-funded, non-profit organization with specialized knowledge and expertise which provides risk management resources for designated health care agencies in BC.

The Society's fundamental purpose is to facilitate the provision of quality health care for the residents of BC by proactively working with health care organizations in:

- *The provision of value-added, professional and comprehensive risk management resources;*
- *The development of an information resource centre on risk assessment and risk management;*
- *The provision of an active advisory and educational service which focuses on risk control and quality;*
- *The dissemination of information on risk management issues to the health industry, including the Ministries of Health Service and Health Planning and appropriate provincial associations and other entities; and*
- *The administration of the Health Care Protection Program, including risk funding and claims management."*

June 2001

Message from the President

The past year has been a productive and busy one for the BC Health Care Risk Management Society. Strategic planning exercises were embarked upon with significant, positive results. Periods of transition were experienced as a result of changes in Society staffing and numerous educational initiatives were also undertaken.

The enactment of the Budget Transparency and Accountability Act (BTAA) prompted the development of the Society's first Performance Plan since its inception in 1986. The need for this strategic planning exercise cannot be over-emphasized. The result is a Performance Plan that presents a compelling vision for the future of the Society, clearly articulating how the Society intends to support its member health care agencies in improving the quality of health care provided to British Columbians.

The Society continues to adjust to staffing changes which have occurred over the course of the past year. We remain confident that the transition will result in a unique blend of experience, background knowledge and expertise being available to member agencies.

Key to our vision of being the leader in risk management resources for BC health care are the areas of organizational development and education and these have been identified as top priorities. As we move into the coming year we look forward to continuing the extensive work we have begun and the challenges it will bring.

Dr. Ernie Higgs
President
BC Health Care Risk Management Society

REPORT ON PERFORMANCE PLAN

First Performance Plan

2001 saw the first Performance Plan implemented by the Society for the years 2001 – 2004 and, accordingly, the Annual Report for fiscal year 2001 / 2002 will contain the first report on the plan.

Next Fiscal Outlook

As we move into the 2001 / 2002 fiscal year it will be crucial that we continue to carefully monitor financial implications as we work towards meeting our performance objectives. Key in the coming year are the areas of organizational development and education.

The recent change in government represents a new climate -- one which supports health care as being a top priority, providing the Society with an opportunity to firmly solidify its role in supporting member health care entities in their provision of quality health care for British Columbians.

Evaluation of Plan to Date

The Society is presently working on its educational goals through exploration of the development and enhancement of its website. A review of our systems for tracking and assessment of workload implications is set to begin and we remain confident that we will be able to effectively meet the targeted goals set.

FINANCIAL REPORT

Management Discussion and Analysis

Comparison with 1999 / 2000

For the first time in the Society's history, the budget for the fiscal year 2000 / 2001 was not fully funded as submitted to Ministry of Health. (Significant items which were not funded were increased costs in lease amounts as a result of the Society having to vacate below-market leased space as well as the addition of one staff member due to increased workloads.) Accordingly, the Society's Board authorized use of the accumulated surplus allowing for a deficit of $99,351 for fiscal year 2000 / 2001. Due primarily to hiring lags, actual expenditures were less than planned, resulting in a deficit of $65,185. By comparison, given the fully funded budget in fiscal year 1999 / 2000, a surplus of $8,058 was generated.

Overview of External Business Environment

The year 2000 / 2001 saw the Society respond to the challenges resulting from the full impact of regionalization in health care; specifically, workload implications resulting from the inclusion of community aspects of health care as part of the activities of our member health care agencies have been significant (i.e. public health, mental health and continuing care where, historically, our membership base was restricted to acute care facilities). Further, as health care agencies contend with the implications of their own increased workloads resulting from resource-related issues we continue to see an increased demand for, and reliance upon, our services.

The increased level of expectation surrounding the availability of and access to information brought about by the rapid development in technology in recent years, coupled with the increased demands on our staff and internal resources, has prompted us to carefully consider our own methods of service delivery and potential alternatives or enhancements.

Major Challenges and Opportunities

Our challenge, in such an environment, is to continue to develop our understanding of the key risk issues and implications facing our membership as we strive to remain pro-active and responsive in our educational endeavours, all the while remaining cognizant of an increasingly tight budget.

Five Year Analysis

As the Health Care Protection Program has matured, actuarial analysis of the funding required for the indemnity pool has been adjusted in order to reflect actual experience, resulting in significant variations in revenue over the past five year period. Operating expenses have continued to increase steadily, reflected in salary costs and space / equipment requirements, as the need for the Society's services increases.

The enactment of the BTAA has resulted in the Society's first Performance Plan since the Society's inception. Accordingly, future annual reports will address the relation of the financial position of the Society with targeted performance measures.

Auditor's Report

See attached Appendix A which includes Auditor's Report and Audited Financial Statements

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Duties and Objectives of Board of Directors

In accordance with the By-Laws of the Society *the property and affairs of the society shall be managed by a board of directors in which shall be vested full control of the assets, liabilities, revenues and expenditures of the Society. The Board shall have the control and management of the affairs of the society and may make rules or regulations governing its operations which are not inconsistent with the directives of the Ministry of Health, the provisions of these By-Laws, or of any statute or the regulations passed thereunder.*

Board Committees

Current committees of the Board include an Executive Committee, Loss Control Committee and a Claims Committee, each of which report directly to the Board. Ad-hoc committees are struck as required.

Executive Committee

Subject to the control of the Board, the Executive Committee shall have the power to transact all business of the Society between the meetings of the Board as well as oversee the financial function of the Society in accordance with approved Financial Policies.

Loss Control Committee

The fundamental purpose of the Loss Control Committee is to oversee the planning and management of loss control services of the Society.

Claims Committee

The purpose of the Claims Committee is to oversee the planning, management and direction of the claims services of the Society (as part of the administration of HCPP) as well as to expedite the settlement of specific claims on behalf of the Board of the Society.

CURRENT LIST OF BOARD OF DIRECTORS*

Dr. Ernie Higgs (President, Executive Committee Member)
Corporate Medical Director
Capital Health Region

Ms. Tamara Vrooman (Vice President, Executive Committee Member)
Assistant Deputy Minister, Service Planning & Innovation
Ministry of Health Services

Mr. Murray Jacobs (Treasurer, Executive Committee Member)
A/Executive Director
Funding, Planning & Evaluation
Regional Programs
Ministry of Health Services

Mr. Phil Grewar (Executive Committee Member, Chair Claims Committee)
Director
Risk Management Branch
Provincial Treasury
Ministry of Finance

Ms. Allison Ruault (Executive Committee Member, Chair Loss Control Committee)
Executive Director
Cariboo Community Health Services Society

Dr. James Lu
Medical Health Officer
Thompson Health Region

Ms. Ellen Pekeles
VP Programs
North Shore Health Region

Ms. Dora Nicinski
CEO
North Okanagan Health Region

Ms. Robyn Woodward
Chair, Vancouver / Richmond Health Board

Mr. Peter Van Rheenen
Executive Director, Regional Programs
Ministry of Health Services

Ms. Lynn Griffith
CFO
Fraser Valley Health Region

Ms. Mary McGovern
Retired Nurse

Dr. R.C. MacPherson
Retired Physician
(Position Vacant)

Ms. Sally Williams
Board Member, Mt. Waddington
Community Health Council

Mr. Robert Jackson
Chair, Castlegar & District Health Council
Board Member, Kootenay Boundary CHSS

***Effective June 15, 2001**

LOSS CONTROL COMMITTEE MEMBERS*:

Ms. Allison Ruault, Chair
Dr. Ernie Higgs (Ex-Officio)
Dr. James Lu
Ms. Lynn Griffith
Mr. Robert Jackson
Ms. Sally Williams
Mr. Warren Hart
Ms. Helen Healey
Ms. Susan Hyatt (Ex-Officio Member)

Society Representatives:
Ms. Janice Markin, A/Executive Director
Mr. Grant Warrington, Advisory Services Counsel

CLAIMS COMMITTEE MEMBERS*:

Mr. Phil Grewar, Chair
Dr. Ernie Higgs (Ex-Officio Member)
Dr. R.C. McPherson (presently vacant)
Dr. James Lu
Ms. Ellen Pekeles
Ms. Mary McGovern
Ms. Dora Nicinski
Ms. Susan Hyatt (Ex-Officio Member)
Ms. Barbara Webster-Evans (Ex-Officio Member)

Society Representatives:
Ms. Janice Markin, A/Executive Director
Mr. Grant Warrington, Advisory Services Counsel

SENIOR SOCIETY EXECUTIVES:

Ms. Janice Markin
A/Executive Director

*Effective June 15, 2001

APPENDIX A

Audited Financial Statements
As of March 31, 2001

B.C. HEALTH CARE RISK MANAGEMENT SOCIETY

Financial Statements
For the Year Ended March 31, 2001

Norgaard Neale Camden
Chartered Accountants

Norgaard Neale Camden Ltd.
540 – 645 Fort Street
Victoria, BC
V8W 1G2
Telephone 250-386-0500
Fax 250-386-6151
Email nncadmin@nn-c.com

Henning E. Norgaard, C.A.*
Allan W. Neale, R.Sc., M.B.A.,C.A.*
W.E. (Bill) Camden, B.A.,C.A.*
Deron T. Freer, B.Comm., C.A.*
R.W. Dorson, B.Comm., C.A.

AUDITORS' REPORT

To the Members of
B.C. Health Care Risk Management Society

We have audited the balance sheet of B.C. Health Care Risk Management Society as at March 31, 2001, and the statements of operations and surplus, and cash flow for the year then ended. These financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the society as at March 31, 2001 and the results of its operations and changes in its cash flow for the year then ended, in accordance with generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceeding year.

Norgaard Neale Camden Ltd.

CHARTERED ACCOUNTANTS

Victoria, B.C.
May 29, 2001

* Incorporated professional

B.C. Health Care Risk Management Society

Balance Sheet
As at March 31, 2001

	2001 $	2000 $
ASSETS		
Cash	287,455	324,889
Accounts Receivable	853	585
Prepaid Expenses	25,823	27,422
Capital Assets (note 3)	17,944	11,214
Due from Province of British Columbia (Ministry of Health)	5,680,000	16,084,000
	6,012,075	16,447,910
LIABILITIES AND SURPLUS		
Accounts Payable and Accrued Liabilities	83,472	30,122
Due to Province of British Columbia (Ministry of Finance and Corporate Relations)	5,680,000	16,084,000
Surplus	268,603	333,788
	6,012,075	16,447,910

SIGNED ON BEHALF OF THE BOARD

Director

Director

B.C. Health Care Risk Management Society

Statement of Operations and Surplus
For the Year Ended March 31, 2001

	2001 $	2000 $
Revenue		
Grants - Province of British Columbia (Ministry of Health)	15,419,381	25,543,548
Interest	10,894	6,239
	15,430,275	25,549,787
Expenses		
Administration of legal retainer	235,330	-
Audit	3,034	2,978
Conferences	3,391	3,877
Contract personnel	1,800	3,641
Contracted administration - Province of British Columbia (Ministry of Finance and Corporate Relations)	157,500	157,500
Depreciation	9,013	9,852
Indemnification costs - Province of British Columbia (Ministry of Finance and Corporate Relations) (note 4)	12,180,000	22,584,000
Insurance costs	23,400	23,240
Legal fees	42,594	32,899
Loss inspection/property pooled fund - Province of British Columbia (Ministry of Finance and Corporate Relations) (note 4)	2,215,728	2,215,728
Office	71,326	58,935
Salaries and benefits	513,818	416,756
Travel	38,526	34,523
	15,495,460	25,541,729
Excess (Deficiency) of Revenue over Expenses	(65,185)	8,058
Surplus - Beginning of Year	333,788	325,730
Surplus - End of Year	268,603	333,788

Norgard Stolz Camden

B.C. Health Care Risk Management Society

Statement of Cash Flow
For the Year Ended March 31, 2001

	2001 $	2000 $
Cash Provided from (Used for)		
Operating Activities		
Excess (deficiency) of revenue over expenses	(65,185)	8,058
Item not affecting cash:		
Depreciation	9,013	9,852
	(56,172)	17,910
Changes in non-cash working capital balances related to operations -		
Accounts receivable	(268)	685
Due from (to) Province of British Columbia (Ministry of Health)	10,404,000	(8,084,000)
Due to (from) Province of British Columbia (Ministry of Finance and Corporate Relations)	(10,404,000)	8,084,000
Accounts payable and accrued liabilities	33,350	4,767
Prepaid expenses	1,599	(399)
	(21,491)	22,963
Investing Activity		
Purchase of capital assets	(15,743)	(769)
Increase (Decrease) in Cash	(37,234)	22,194
Cash - Beginning of Year	324,689	302,495
Cash - End of Year	287,455	324,689

B.C. Health Care Risk Management Society

Notes to Financial Statements
For the Year Ended March 31, 2001

1. Purpose of the Organization

The B.C. Health Care Risk Management Society ("society") is a non-profit organization and was incorporated under the Society Act on October 21, 1986. The purpose of the society is to provide risk management services for Regional Health Boards ("RHBs"), Community Health Councils ("CHCs"), Community Health Services Societies ("CHSSs"), their amalgamated entities, non-amalgamated acute and extended care hospitals and other select health care entities. These risk management services include the administration of the Health Care Protection Program ("HCPP") and other risk, insurance or loss funding programs which may arise, the provision of direct or indirect risk management advisory or inspection services including consultation, education, loss control, and communication support for its member RHBs/CHCs/CHSSs, health care agencies and providers. The society has taken over the property and crime coverage programs of HCPP which were previously provided by B.C. Health Services.

2. Significant Accounting Policies

The society follows the deferral method of accounting for contributions.

Basis of Accounting

The society records transactions on an accrual basis. Under this basis, revenues are recorded in the period in which they become due and expenses are recorded when goods are received or services rendered.

Capital Assets and Depreciation

Capital assets are carried at cost less accumulated depreciation. Depreciation is charged against income using the straight line method in amounts sufficient to amortize the cost of capital assets over their estimated useful lives at the following annual rates:

Computers	33.3%
Furniture and equipment	20%

A half year of depreciation is taken in the year of acquisition.

B.C. Health Care Risk Management Society

Notes to Financial Statements
For the Year Ended March 31, 2001

3. Capital Assets

	2001			2000
	Cost $	Accumulated depreciation $	Net $	Net $
Computers	45,104	36,258	8,846	7,374
Furniture and equipment	23,317	14,219	9,098	3,840
	68,421	50,477	17,944	11,214

4. Indemnification Costs

The society has arranged with the Province of British Columbia to provide RHBs/CHCs/CHSSs and other specifically identifiable health care facilities with an indemnification for liability claims against the facility. The cost of $12,180,000 (2000 - $22,584,000) is intended to protect the society's member entities against liability claims where the incident occurred during the fiscal year ended March 31, 2001. In addition, there was a transfer of funds of $2,215,728 (2000 - $2,215,728) from the Province of British Columbia to provide the pooled fund to pay the property losses of the member entities.

5. Operating Leases

The society's total obligations under operating leases are:

	$
Year ending March 31, 2002	35,252
2003	33,482
	68,734

6. Financial Instruments

The society financial instruments consist of cash, accounts receivable, amounts due to and from the Province of British Columbia, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that, under normal circumstances, the society is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Maynard Mills Cameron